

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6834

UNCLAS OTTAWA 2423

E.9. 11652: N/A

TAGS: EAIR, CA

SUBJECT: CIVAIR: AIR TRANSPORTATION TAX--USER CHARGE ISSUE

REF: (A) OTTAWA A-413, AUG 12, 1974

(B) OTTAWA A-509, OCT 11, 1974

(C) OTTAWA 2355

1. AN INCREASE IN CANADA'S AIR TRANSPORTATION TAX EFFECTIVE AUGUST 1 WAS ANNOUNCED IN JUNE 23 BUDGET. PRESENT FIVE PERCENT RATE EFFECTIVE ON DOMESTIC AND TRANSBORDER FLIGHTS--WITH A MAXIMUM OF \$5.00 PER FLIGHT--WILL BE INCREASED TO \$8.00--WITH A MAXIMUM AMOUNT YET TO BE DETERMINED. PRESENT \$5.00 RATE ON INTERNATIONAL FLIGHTS (I.E., TO POINTS OTHER THAN UNITED STATES) WILL BE INCREASED UP TO \$10 WITH THE EXACT AMOUNT YET TO BE DETERMINED.

2. ACCORDING TO SENIOR MOT FINANCE OFFICIAL, RATIONALE FOR INCREASE RELATES TO INCREASING DEFICIT IN OPERATIONS OF AIRPORTS AND PROVISION OF NAVIGATIONAL SERVICES. FOR FISCAL YEAR ENDING MARCH 1974 (LATEST DATA AVAILABLE) TOTAL GAP WAS IN VICINITY OF \$220 MILLION AND HISTORICALLY THIS HAD BEEN INCREASING AT ANNUAL RATE OF 15-20 PERCENT. SOURCE UNWILLING FORECAST FUTURE MAGNITUDES, BUT THEY ARE CONSIDERED WORRISOME.

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3. COMMENT: GOC IS COMMITTED TO USER CHARGE APPROACH

TO COST RECOVERY IN AVIATION (SEE OTTAWA 1764 AND 1816).
LANDING FEES AT CANADAIN AIRPORTS, CONCESSIONAIRE INCOME,
NORTH ATLANTIC AND POLCAR NAVAID CHARGES,AND TELECOMMUNICATIONS
CHARGES DO MAKE SIGNIFICANT CONTRIBUTION TO COST OF
PROVIDING SERVICES BUT THEY ARE NOT CONSIDERED ADEQUATE.
HOW ADEQUATE NEW TAX RATE WILL BE REAMINS TO BE SEEN.

4. INCREASED TAX HAS BEEN DESCRIBED IN VARIOUS WAYS IN
DIFFERNET PUBLICATIONS ISSUED IN CONNECTION WITH JUNE 23
BUDGET. ACCORDING TO OUR SOURCE, THERE ARE SIGNIFICANT
ERRORS IN THE LANGUAGE EMPLOYED IN "BUDGET IN BRIEF"" (P. 11)
AND "BUDGET HIGHLIGHTS AND SUPPLEMENTARY INFORMATION" (P. 29).
EXACT AND ACCURATE WORDING IS ONLY TO BE FOUND IN
PARAGRAPHS SIX TO NINE OF "NOTICE OF WAYS AND MEANS
MOTION, AN ACT TO AMEND THE EXCISE TAX ACT", PUBLISHED ON
PAGES 61-62 OF FINANCE MINISTER TURNER'S BUDGET SPEECH
(SENT ON JUNE 24 UNDER CERP PROGRAM TO STATE AND OTHER
AGENCIES).

5. DETERMINATION OF MAXIMUM AMOUNT FOR DOMESTIC
TRANSMORDER TAX AND EXACT AMOUNT FOR INTERNATIONAL
TAX EXPECTED T BE MADE SOMETIME IN JULY.
PORTER

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